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State of Idaho

Legislative Services Office

Management Report

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A communication to the Joint Finance-Appropriations Committee

# **IDAHO REAL ESTATE COMMISSION**

## **FY 2005, 2006, and 2007**

Report IC42907  
Date Issued: October 30, 2007

*Serving Idaho's Citizen Legislature*

# FOREWORD

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## **PURPOSE OF REPORT**

We evaluated the internal controls over financial operations of the Idaho Real Estate Commission as part of our effort to evaluate each State agency at least once every three years. This report summarizes the results of our evaluation.

## **SCOPE OF WORK**

The management of the Commission is responsible for establishing and maintaining internal controls. We obtained an understanding of the relevant policies and procedures comprising the internal control system. We also determined whether the relevant policies and procedures had actually been placed into operation. Our intent was to indicate where internal controls could be improved in order to help ensure the Commission's ability to record, process, summarize, and report financial data accurately.

## **AUDIT AUTHORIZATION**

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

## **ASSIGNED STAFF**

Eric Bjork, Staff Auditor

## **ADMINISTRATION AND TECHNICAL REVIEW**

Don H. Berg, CGFM, Manager, Legislative Audits Division  
Eugene Sparks, CPA, CGFM, Managing Auditor

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## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

### IDAHO REAL ESTATE COMMISSION

**PURPOSE AND SCOPE.** We performed certain audit procedures to evaluate the effectiveness of the Idaho Real Estate Commission's internal control design and operation. The limited scope of our procedures does not allow us to give an opinion on the Commission's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed. Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. Any findings and recommendations are intended to improve the internal control system to prevent errors, omissions, misrepresentations, or fraud.

**CONCLUSION.** We noted no matters involving the internal control over the Commission's financial reporting or its operation that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

**FINDINGS AND RECOMMENDATIONS.** There are no findings and recommendations in this report or the prior report.

**AGENCY RESPONSE.** The Commission has reviewed the report and is in general agreement with its contents.

**FINANCIAL SUMMARY.** The Commission is funded primarily from licensing fees paid by Idaho real estate professionals. Other fund sources include fines, educational materials, and miscellaneous receipts. The following financial data is presented for informational purposes only.

#### IDAHO REAL ESTATE COMMISSION – FY 2007 FINANCIAL SUMMARY

	Regulatory Fund 0229	Miscellaneous Revenue Fund 0349	Real Estate Recovery Fund 0517
Beginning Cash Balance	\$3,095,875	\$33,016	\$20,000
Licenses and Fees	1,526,094	0	0
Other Receipts and Transfers	260,719	92,820	0
Total Receipts	<u>\$1,786,813</u>	<u>\$92,820</u>	<u>\$0</u>
Total Funds Available	<u>\$4,882,688</u>	<u>\$125,836</u>	<u>\$20,000</u>
Less Disbursements			
Personnel Costs	\$748,666	\$0	\$0
Operating Costs	478,928	0	0
Capital Outlay	21,527	0	0
Total Disbursements	<u>\$1,249,121</u>	<u>\$0</u>	<u>\$0</u>
Transfers to State Police for Fingerprinting	<u>\$0</u>	<u>\$112,288</u>	<u>\$0</u>
Ending Cash Balance	<u>\$3,633,567</u>	<u>\$13,548</u>	<u>\$20,000</u>

**OTHER ISSUES.** Legislative auditors discussed other matters with the Commission's management which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the Idaho Real Estate Commission and the Idaho Legislature and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Jeanne Jackson-Heim, and her staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**

Don H. Berg, CGFM, Manager, Legislative Audits Division

Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC42907

# AGENCY RESPONSE

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STATE OF IDAHO  
REAL ESTATE COMMISSION

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October 5, 2007

Don H. Berg, CGFM  
Manager, Legislative Audits Division  
Legislative Services Office  
VIA STATEHOUSE MAIL & FAX (208) 334-2034

Dear Mr. Berg:

This letter is in response to the draft Management Report resulting from the Real Estate Commission's recent audit conducted by Eric Bjork of your office.

The Commission agrees with the results of the audit as set forth in the draft Management Report and wishes to express its gratitude for Mr. Bjork's assistance in assuring that the Commission is in compliance with State law and policy.

We especially commend Mr. Bjork for his helpful suggestions and answers to our questions, his positive, non-threatening approach to the audit process, and his personable yet professional demeanor.

We appreciate the opportunity to work with Mr. Bjork during this audit, and we look forward to working with you and your staff in the future.

Sincerely,

A handwritten signature in cursive script that reads "Jeanne Jackson-Heim".

Jeanne Jackson-Heim  
Executive Director

cc: Eric Bjork

# APPENDIX

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## HISTORY

The Idaho Real Estate Commission was created July 1, 1947, under Idaho Code, Title 54, Chapter 20. The Commission was placed under the Department of Self-Governing Agencies by legislative action and reorganization of State agencies on July 1, 1976.

## ORGANIZATION

The Commission comprises four members appointed by the Governor, one each from the southwest district, south central district, southeastern district, and northern district. Each member is required to be a licensed real estate broker with at least five years experience in the Idaho real estate business. This structure is delineated in the organization chart that follows.

The Commission is empowered to appoint an executive director and other assistants as the Commission deems necessary.

## PURPOSE

The Commission shall conduct, or cause to be conducted, examinations to determine the competency of applicants for a real estate license. To accomplish this purpose, the Commission is expressly vested with the power and authority to make and enforce rules and regulations.

## FUNDING

The Commission is funded primarily by fees paid to issue and renew real estate licenses. Other fund sources include the sale of printed material, library rentals, and continuing education seminars. Following is a description of funds used by the Commission.

Regulatory Fund (0229) – The Commission receives fees collected from real estate professionals for licensing, training, fines, and various other reasons. The money is used to administer the State's Real Estate Brokerage Laws, as set forth in Idaho Code, Section 54-2038. These laws include provisions for the Commission's general operating costs, improvement and education of real estate professionals, and promotion and advertising of Idaho at the direction of the Commission.

Miscellaneous Revenue Fund (0349) – The Commission collects a fingerprinting fee of \$34 from each prospective licensee for processing the fingerprints. These fees are transferred to the Idaho State Police on a monthly basis. The fund balance is due to the timing difference between when the fees are collected and when the funds are transferred to the Idaho State Police.



Real Estate Recovery Fund (0517) – As required by Idaho Code, Section 54-2069, this fund maintains a balance of \$20,000. Applicants for original and renewal licenses pay \$20 as part of the license fee, used to replenish this recovery fund as needed. The money is used to satisfy claims from any person who obtains a final judgment against any licensee based on fraud, misrepresentation, or deceit with reference to any transaction for which a real estate license is required. Recovery from the fund is allowed only after the aggrieved party has taken all reasonable steps to collect the judgment amount and has been unsuccessful. Recovery from the fund is limited to \$10,000 per licensee per year.

